

What's Up with Gasoline Prices?

Why are gasoline prices so high right now?

- **Changing gasoline blends are disrupting the supply chain.** There are two transitions occurring right now. One, switching from winter to summer seasonal blends traditionally causes price spikes this time of year. Two, the Energy Policy Act of 2005 ends the federally mandated oxygenate requirement for some gasoline blends beginning May 5. Fearing exposure to MTBE lawsuits, refiners are abandoning MTBE and turning to ethanol instead.
- **Addition of ethanol to gasoline.** The Energy Information Agency estimates that the switch from MTBE to ethanol is responsible for about an *additional 5 cents a gallon in cost*. Tariffs on ethanol imports add 54 cents to a gallon of ethanol. Reports forecast that we might need an additional 2 billion gallons of ethanol this year alone.
- **Dependence on the Gulf Coast region.** Tight supplies mean even one unscheduled refinery shutdown can drive up gasoline prices. In addition, *22.3 percent of Gulf Coast oil production is still shut down* so we have 334,019 fewer barrels of domestic oil available on any given day.
- **Supply and demand and global concerns.** Our need for oil has grown, we face new competition from emerging economies like China and India, and domestic production and refining capacity haven't kept pace. In addition, supply uncertainty from countries like Nigeria, Iran and Venezuela have caused crude oil prices to rise.
- **Lack of domestic crude oil production.** We are going to need much more oil before we ever kick our addiction to it. Unfortunately, current law leaves nearly 100 billion barrels of oil out of reach in Alaska and off our East and West coasts. Until that changes, American families will continue to pay more than they should for gasoline. At a time when we import most of our crude oil and, increasingly, gasoline, these restrictions also undermine the nation's security and prop up authoritarians.
- **Some in Washington have delayed relief.** These problems took decades to develop and some environmental extremists have made matters worse.
 - ✓ Had President Clinton not vetoed ANWR 10 years ago, we could be domestically producing 1 million barrels of oil today. More importantly, we would have a more diverse supply of oil production.
 - ✓ The House passed a comprehensive energy policy to increase production and conservation four times before it was finally enacted last summer.

The House is working to lower the cost of gasoline over the mid- and long-term.

Here's what the government is doing now:

- Dedicating \$3.7 billion for fuel-cell research with a goal of putting low-emission hydrogen-powered cars on the road by 2020.
- Requiring 7.5 billion gallons of "renewable" fuel be available by 2012, primarily ethanol cooked out of corn, grass and agricultural waste.
- Supporting research to lengthen battery life and other technology for use in traditional and plug-in hybrid cars. In 10 years, some say, your 30-mile commute could be gasoline-free.
- Offering tax incentives to build new ethanol, hydrogen and other alternative fuel stations.

Small changes can save gasoline (from AAA and Consumer Reports):

- Keep tires inflated at the proper pressure. According to the EPA, a tire that is underinflated by only 2 pounds per square inch can cause a 1 percent increase in fuel consumption.
- Avoid quick starts and sudden stops. A car's gas mileage decreases rapidly at speeds above 60 mph.
- Buy gasoline during coolest time of day or late evening and don't top off your tank.
- Keep windows closed when traveling at highway speeds. Open windows cause air drag, reducing your mileage by 10 percent.